

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 L-03 H-01 PA-01 /089 W
-----050634 110729Z /65
R 100656Z MAR 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 2726

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USADB

PASS TREASURY FOR SHERK

E.O. 11652: N/A
TAGS: EAID, EFIN
SUBJ: ADB METHOD OF PROJECT EVALUATION

REF: EDMOND/SHERK TELECON

1. BANK CURRENTLY USES CONVENTIONAL EIRR AND FIRR METHODDOLOGY FOR EVALUATION OF ECONOMIC AND FINANCIAL VIABILITY OF PROJECTS. FOR PROJECTS WHERE EIRR IMPOSSIBLE TO ESTIMATE, E.G. WATER SUPPLY, EDUCATION, HEALTH, ETC., BANK JUSTIFIES SUCH PROJECTS BY DESCRIBING BENEFITS RATHER THAN BY ATTEMPTING TO CALCULATE SPECIFIC RATES OF RETURN. FOR FULL STATEMENT ON BANK'S METHODOLOGY SEE WORKING PAPER 3-77, 18 APRIL 1977.

2. REGARDING SQUIRE AND VAN DER TAK APPROACH BANK HAS (1) NOT YET ANALYZED ANY PROJECTS BY QUANTIFYING EQUITY ASPECTS OF A PARTICULAR LOAN AND (2) RECOGNIZED VALUE OF USING SHADOW PRICES AND HAS USED THEM IN PROJECT EVALUTION ON OCCASION. SHADOW PRICES HAVE NOT, HOWEVER, BEEN
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GENERALLY USED IN PROJECT EVALUATION.

3. ACTING CHIEF ECONOMIST STATES THAT BANK IS COMMITTED TO QUANTIFYING EQUITY ASPECTS FOR PROJECT EVALUATION ON AN "EXPERIMENTAL" AND "CAUTIOUS" BASIS. IN ADDITION THE BANK IS PLANNING TO APPLY SHADOW PRICES TO PROJECT EVALUATION ON A MORE SYSTEMATIC BASIS. IN ORDER TO

ACCOMPLISH THESE GOALS THE BANK HAS BEEN NEGOTIATING WITH A GROUP OF AMERICAN ACADEMICIANS ON A PROPOSAL TO PREPARE A METHODOLOGY THAT INCORPORATES SHADOW PRICES AND EQUITY CONSIDERATIONS (AS QUANTIFIABLE VARIABLES) INTO PROJECT EVALUATION. WHILE NEGOTIATIONS HAVE BEEN SOMEWHAT PROTRACTED (THE PROFESSORS WERE CONTACTED NINE MONTHS AGO) BANK IS HOPEFUL THAT ARRANGEMENTS WILL BE MADE SOON SO THAT THE STUDY CAN BEGIN.

4. BANK'S BIGGEST CONCERNS ARE THAT THERE IS INADEQUATE STAFF TO EXPERIMENT WITH EQUITY APPROACH (STAFF ALREADY HAS ITS HANDS FULL TRYING TO HANDLE CURRENT WORKLOAD) AND THAT VIRTUALLY NONE OF THE STAFF IS SUFFICIENTLY FAMILIAR WITH THE EQUITY APPROACH TO EASILY INCORPORATE IT INTO PROJECT EVALUATION. IN ADDITION BANK IS CONCERNED ABOUT POLITICAL SENSITIVITY INVOLVED IN THE ESTIMATION OF SHADOW PRICES, PARTICULARLY EXCHANGE RATES.
EDMOND

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, ECONOMIC CONDITIONS, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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ISecure: 1
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fca7acc9-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Previous Handling Restrictions: n/a
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Review Content Flags:
Review Date: 02 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3374691
Secure: OPEN
Status: NATIVE
Subject: ADB METHOD OF PROJECT EVALUATION
TAGS: EAID, EFIN, ADB
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/fca7acc9-c288-dd11-92da-001cc4696bcc
Review Markings:
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